

Message Text

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ACTION EUR-12

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EB-07 FMC-02 INR-07 NSAE-00 CG-00 DLOS-09 OES-07

L-03 STR-04 OIC-02 AGR-10 AID-05 CEA-01 EA-09

FRB-01 IO-13 NEA-10 USIA-15 OPIC-06 SP-02 TRSE-00

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FM USMISSION OECD PARIS

TO SECSTATE WASH DC 6521

INFO ALL OECD CAPITALS

USMISSION EC BRUSSELS

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DEPT PASS MARAD, FMC

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SUBJECT: MEETING OF WORKING PARTY NO.6 ON SHIPBUILDING,
MAY 3-4

REF: OECD PARIS 09164

1. SUMMARY - EUROPEANS PRESSED JAPANESE TO FURTHER INCREASE SHIP EXPORT PRICES AND TO MAKE AN EXPLICIT COMMITMENT TO MARKET-SHARING. JAPANESE ASKED EUROPEANS TO DETAIL THEIR RECENTLY PROPOSED NATIONAL MEASURES FOR INCREASING SHIPBUILDING SUBSIDIES, AND TO EXPLAIN EC POSITION ON RESURGENCE OF GOVERNMENT AIDS TO SHIPBUILDING WITHIN EUROPEAN COMMUNITY. THE WORKING PARTY WILL INVESTIGATE THE IMPACT OF NON-WORKING PARTY COUNTRIES ON THE GLOBAL SHIPBUILDING MARKET. IN THIS CONNECTION ANOTHER APPEAL WAS MADE FOR DIRECT UNITED STATES PARTICIPATION IN THE WORK OF WP6 AS OPPOSED TO OBSERVER STATUS. END SUMMARY.

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2. REPORT ON SUPPLY AND DEMAND

THE CHAIRMAN OF THE SUB-GROUP ON SUPPLY AND DEMAND REPORTED THE FOLLOWING: (A) LITTLE CHANGE SINCE THE LAST WP MEETING IN THE PICTURE FOR BOTH SHORT AND LONG TERM DEMAND; (B) A SPATE OF DRY CARGO CARRIER DELI-

VERIES HAS PUT DOWNWARD PRESSURE ON THIS CATEGORY OF RATES; (C) WHILE PRESENT PRODUCTION OF MANY YARDS REMAINS AS HIGH AS IN 1976, THIS REFLECTS PAST ORDERS AND STRETCHED DELIVERY DATES; (D) EMPLOYMENT IN MANY YARDS HAS ALREADY DECREASED MEASURABLY AND SOME IMPORTANT EUROPEAN YARDS WILL BE OUT OF WORK THIS YEAR; (E) ADDED TO THE GENERALLY DIRE SITUATION IS A DIMINUTION OF SHIP SCRAPPING ACTIVITY; (F) INDUSTRY-LEVEL DISCUSSIONS BETWEEN THE EUROPEANS AND JAPANESE ON DEFINING COMMON TERMS OF MEASURING PRODUCTION (COMPENSATED GROSS REGISTERED TONS) ARE PROGRESSING, AT LEAST ON A PURELY TECHNICAL LEVEL, AND IT IS EXPECTED THAT AGREEMENT ON TERMINOLOGY CAN BE REACHED BY SUMMER. ON THIS LATTER POINT THE EUROPEANS URGED THE JAPANESE TO AGREE ON THIS MATTER QUICKLY. THE JAPANESE DEL, HOWEVER, CONTINUED TO INSIST ON INCLUSION OF WORKING HOURS AS A BASIS FOR MEASURING PRODUCTIVITY. THE EUROPEANS CLAIMED WORKING HOURS ARE MORE A PRODUCTION INPUT RATHER THAN AN OUTPUT, WHICH THEY SAID IS MORE TO THE POINT.

3. POLICIES TO ASSIST THE SHIPBUILDING INDUSTRY

IN RESPONSE TO A JAPANESE REQUEST MADE AT THE LAST WP MEETING, SEVERAL EUROPEAN DELS OUTLINED THEIR PROPOSED MEASURES FOR TEMPORARILY INCREASING DIRECT AIDS TO THEIR SHIPBUILDING INDUSTRIES TO WEATHER THE PRESENT CRISIS. IN ALL INSTANCES INCREASED AIDS WERE DIRECTLY TIED TO A COMMITMENT OF CONTRACTION BY THE INDUSTRY IN TERMS OF BOTH PHYSICAL PLANT AND REDUCTION

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OF EMPLOYMENT. THE JAPANESE REQUESTED WRITTEN ELUCIDATIONS OF THESE MEASURES BY THE NEXT MEETING IN ORDER TO COMMENT MORE FULLY AND EMPHASIZED THAT THE COUNTRIES INVOLVED ARE REQUIRED TO SUBMIT FULL INFORMATION TO THE WP FOR EXAMINATION. THE JAPANESE DEL NOTED THE POSSIBLE BREACH OF EXISTING AGREEMENTS AND, MOST IMPORTANTLY, THE NEGATIVE EFFECT THESE MEASURES WOULD HAVE ON JAPANESE EFFORTS TO ENFORCE AT HOME WHAT THEY HAD ALREADY PROMISED WITHIN THE WP (PRICE INCREASES, SELECTED EXPORT RESTRAINT AND WORKING HOUR DIMINUTION).

4. THE EC DELEGATE NOTED THAT PROPOSED MEASURES OF INDIVIDUAL MEMBER COUNTRIES TO INCREASE SHIPBUILDING SUBSIDIES WERE BEING STUDIED FOR COMPATIBILITY WITH THE TREATY OF ROME AND ALSO WITH A VIEW TOWARD AN EC-COORDINATED APPROACH. THE JAPANESE PRESSED FOR A MORE EXPLICIT REPORT ON THE EC POSITION VIS-A-VIS PROPOSED MEASURES BY INDIVIDUAL COUNTRIES BY THE NEXT WP MEETING.

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5. SEVERAL EUROPEAN DELS AND EC REP EXPRESSED DIS-
SATISFACTION WITH A LACK OF IMMEDIATE MARKET RESULTS
FROM THE JAPANESE COMMITMENT TO INCREASE PRICES, AND
APPARENT UNWILLINGNESS OF THE JAPANESE TO MAKE AN EXPLI-
CIT COMMITMENT TO MARKET-SHARING. EUROPEANS WERE CLEAR-
LY UNHAPPY WITH VAGUE JAPANESE PROMISES NOT TO INCREASE
THEIR CUT OF THE PIE. WHILE JAPANESE DEL DID NOT REPLY
DIRECTLY TO THESE ACCUSATIONS, HE INTRODUCED A
NEW ELEMENT INTO HIS APOLOGIA - AN APPARENT ATTEMPT
BY THE JAPANESE GOVERNMENT TO GENERATE DOMESTIC SHIP-
BUILDING DEMAND IN THE MILITARY, FISHING, COASTAL, AND
DEEP-SEA MERCHANT SHIPPING SECTORS. THE EUROPEANS
EMPHASIZED THEY STILL INSIST ON "EQUITABILITY" IN TERMS
OF MARKET SHARE, AND THAT TEMPORARY MEASURES UNDERTAKEN
BY THEM TO INCREASE AIDS TO SHIPBUILDING WERE THE
DIRECT RESULT OF JAPANESE PRICE-CUTTING. THE JAPANESE
DEL IMPLIED A RESURGENCE OF SUBSIDIES COULD THREATEN
THE WORK OF THE WP AND MAKE IT DIFFICULT FOR GOJ TO
IMPLEMENT ITS COMMITMENTS TO WP6.

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6. RELATIONS WITH NON-WP6 COUNTRIES

THE MATTER OF MORE PRECISELY DEFINING "MARKET SHARES RAISED THE ISSUE OF THE IMPACT OF NON-WP6 COUNTRIES ON GLOBAL SHIPBUILDING MARKET: THE U.S., DEVELOPING COUNTRIES, AND SOVIET BLOC. IT WAS DECIDED THAT THE WP COULD DISCREETLY (NOT TO AROUSE THIRD-WORLD ANTAGONISM) LOOK INTO THIS QUESTION AT THE NEXT MEETING. IN THIS CONNECTION, SEVERAL DELEGATES AS WELL AS THE CHAIRMAN CALLED FOR US RECONSIDERATION OF FULL PARTICIPATION IN THE WP. THE WP CHAIRMAN FELT A NEW ELEMENT OF US INTEREST WAS NOW INVOLVED IN VIEW OF OUR PARTICIPATION IN MAY 13 AD HOC MEETING ON THE WORLD TANKER CRISIS (SEE STATE 102359). THE US OBSERVER DID NOT COMMENT ON THIS REQUEST BUT MERELY REPORTED ON THE UNRESOLVED ADMINISTRATION POSITION ON OIL IMPORT CARGO PREFERENCE, AND THE STATUS OF PROPOSED US SAFETY/POLLUTION STANDARDS FOR TANKERS.

7. THE NEXT MEETING OF THE WP IS SCHEDULED FOR JUNE 28-29.

8. ACTION REQUESTED -

IF AN APPROPRIATE OPPORTUNITY ARISES AT NEXT WP MEETING, MISSION SUGGESTS THAT US DEL MAKE A FORMAL STATEMENT TO FORESTALL FURTHER EFFORTS TO DIRECTLY INVOLVE US PARTICIPATION. INTER-ALIA, STATEMENT WOULD CITE INCOMPATIBILITY OF OUR SUBSIDY-SHIP FINANCE SYSTEM WITH THE WP6 UNDERSTANDING, AND STRESS THE IMPORTANT DISTINCTION BETWEEN OTHER "THIRD COUNTRIES" AND OURSELVES AS NON-EXPORTERS OF SHIPS. MISSION REQUESTS GUIDANCE ON THIS ISSUE.

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